

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Real Estate – Activity Status Report

ITEM NUMBER: 13

ATTACHMENT(S): 2

ACTION: _____

DATE OF MEETING: February 6, 2002

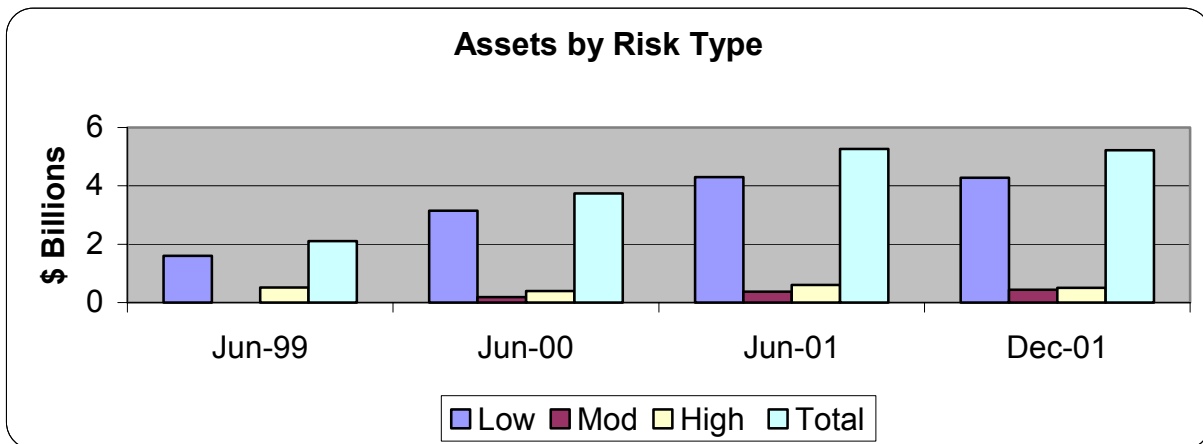
INFORMATION: X

PRESENTER(S): Mike DiRé/Michael Thompson

In accordance with the Investment Management Plan, CalSTRS has established an allocation for investment real estate to 7% of the total assets. The primary role of investment real estate is to improve diversification of the overall investment portfolio. Secondary objectives are to generate an enhanced yield to the actuarial plan rate assumption, and to provide stable cash flows. The real estate portfolio will incorporate a combination of low, moderate, and high risk real estate investment strategies to implement the approved plan.

The table and charts below show the growth of the overall real estate portfolio over the past four years.

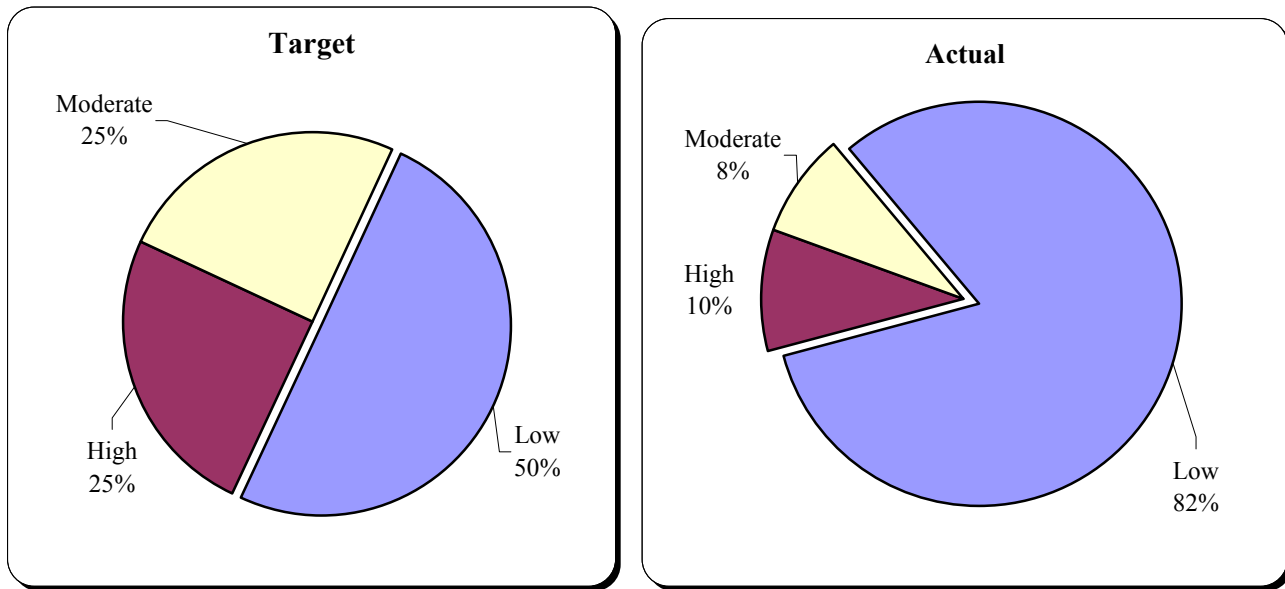
Growth of Real Estate Portfolio



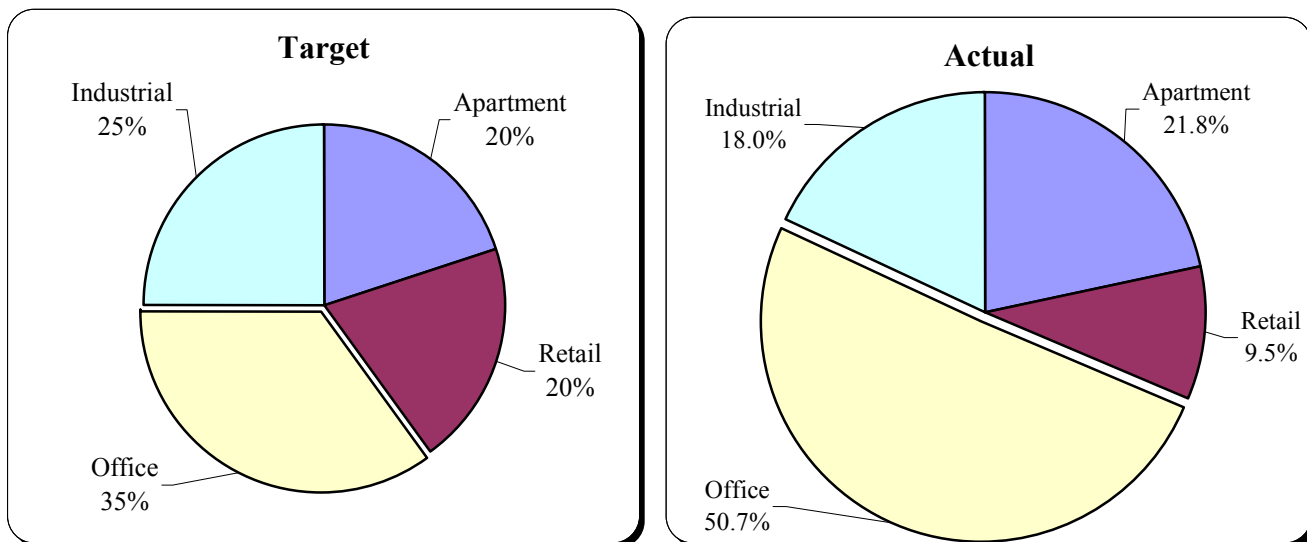
	Jun-99	Jun-00	Jun-01	Dec-01
Low	\$1,597	\$3,152	\$4,300	\$4,283
Mod	\$0	\$189	\$368	\$434
High	\$511	\$399	\$602	\$505
Total	\$2,108	\$3,740	\$5,270	\$5,222

Graph shown in billions, table shown in millions.

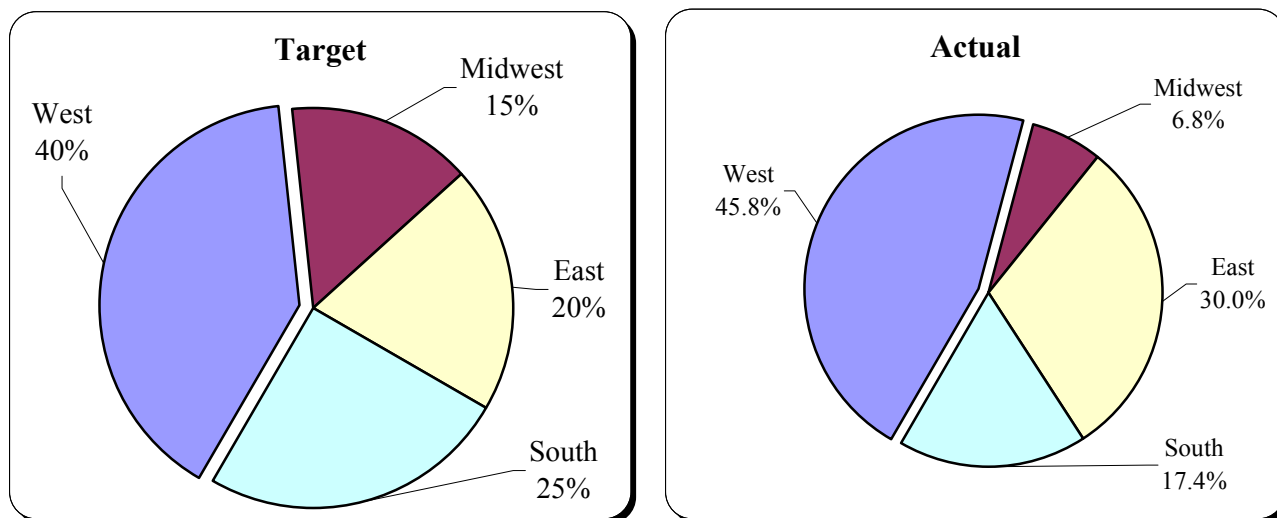
Targeted Risk Allocation Versus Actuals



The Low Risk portfolio is managed subject to diversification guidelines by product type and by regional area in the United States. The target allocation and the portfolio holdings as of December 2001 are shown below.



Low Risk Portfolio – By Region



Attachment 1 contains a summary of high risk opportunity fund commitments and capital accounts since inception. Attachment 2 identifies specific transactions closed during the prior two months.

**CalSTRS REAL ESTATE OPPORTUNITY FUND ACTIVITY STATUS REPORT
COMMITMENTS AND CAPITAL SUMMARY**

As of December 31, 2001

<u>Opportunity Fund</u>		<u>Date Fund Closed</u>	<u>Fund Size</u>	<u>STRS Commitment</u>	<u>Amount Funded by STRS</u>	<u>Unfunded Commitment</u>	<u>Since Inception</u>	
							<u>Returned Capital</u>	<u>Income Received</u>
Colony II		Apr-95	\$625,000,000	\$150,000,000	\$145,829,147	\$0	\$79,923,835	\$51,576,270
M.Stanley II	(1)	Nov-95	1,051,000,000	200,000,000	253,928,985	0	156,108,396	165,018,363
Lazard Freres		May-96	645,000,000	150,000,000	150,000,000	0	55,437,571	41,194,910
Lazard Freres - Co-Investmen		May-96						
AAC/UDR	(2)		26,984,444	26,984,444	26,984,444	0	26,984,444	20,374,692
Dermody	(3)		19,841,270	19,841,270	19,841,270	0	0	4,329,248
William E. Simon & Sons		Jan-01	306,650,000	76,662,500	58,913,678	17,748,822	841,090	283,910
William E. Simon - Co-Investmen								
SKS	(4)	Jan-01	57,223,810	40,056,667	37,456,386	2,600,281	3,237,911	1,248,371
CIM Urban Real Estate Fund		Mar-01	178,947,369	45,000,000	2,444,490	42,555,511	1,541,976	0
Soros Real Estate Investor		Jul-01	1,000,000,000	75,000,000	20,850,488	54,149,512	0	0
M.Stanley IV		Dec-01	2,250,000,000	200,000,000	29,957,031	170,042,969	0	1,891,780
Lone Star IV		Dec-01	2,278,787,879	200,000,000	193,085	199,806,915	0	0
TOTALS				\$1,183,544,881	\$746,399,004	\$486,904,009	\$324,075,223	\$285,917,544

- (1) "Amount Funded by CalSTRS" amount includes reinvestment proceeds, per Partnership Agreement.
(2) CalSTRS co-investment is in American Apartment Communities/United Dominion Realty Trust, Inc.
(3) CalSTRS co-investment is in DP Operating Partnership Limited (Dermody).
(4) CalSTRS co-investment is in SKS, an office development platform in San Francisco.

CalSTRS DIRECT REAL ESTATE ACQUISITIONS and DISPOSITIONS

December 31, 2001

ACQUISITIONS

<u>Property</u>	<u>ADVISOR</u>	<u>TYPE</u>	<u>RISK</u>	<u>LOCATION</u>	<u>COMMITTED</u>	<u>AMOUNT FUNDED</u>	<u>DATE FUNDED</u>	<u>IRR</u>
SF Waterfront Partners, LLC	The McMahan Group (Independent Fiduciary)	JV - Office/Mixed	High	San Francisco (Urban)	\$12,700,000	\$ 1,015,348	October 24, 2001	14%+
Plaza at the Arboretum	Heitman Capital Management	Apartment	Moderate	Santa Monica		\$ 75,860,090	November 1, 2001	11.1%
Total Acquisitions						\$ 76,875,438		

DISPOSITIONS

High Ridge Shopping Centers	Lend Lease Realty	Retail	Low	Milwaukee		\$ 16,100,000	November 15, 2001	9.30%
Total Dispositions						\$ 16,100,000		

*Final, after fee IRR